

Please note: The contact information for this Federal Register notification has changed to Timothy Sushil, Office of Field Operations, Cargo Control, (202) 927-0564.

DEPARTMENT OF THE TREASURY

Customs Service

**Storage of International Travel Merchandise in
Customs Bonded Warehouses**

AGENCY: Customs Service, Department of the Treasury

ACTION: General Notice; Solicitation of Comments

SUMMARY: The Customs Service is soliciting comments to determine whether international travel merchandise (ITM) should be required to be entered into a Customs bonded warehouse. This notice invites comments from the public regarding this concept, and provides an opportunity for the public to present their views on the matter.

DATES: Comments must be received on or before April 1, 1998.

ADDRESSES: Written comments must be submitted to the U.S. Customs Service, **ATTN:** Steven T. Soggin, Office of Field Operations, Room 5.2B, 1300 Pennsylvania Avenue, NW., Washington, D.C. 20229. Comments will not be addressed individually, but will be taken into consideration before Customs determines how to proceed.

FOR FURTHER INFORMATION CONTACT:

Timothy Sushil, Program Officer, Office of Field Operations, (202) 927-0564.

SUPPLEMENTARY INFORMATION:

Background

On May 9, 1991, the Customs Service issued Customs Directive Number 3280-08 (C.D. 3280-08), International Travel Merchandise Sold on Board Aircraft, pursuant to Section 553 of the Tariff Act of 1930, and Sections 18.24 -18.26 and Part 122, Subpart M of the Customs Regulations. This document provided for Customs procedures for the treatment of articles which are to be sold by airline personnel to passengers aboard aircraft on international flights. ITM does not qualify as aircraft supplies or equipment within the meaning of 19 U.S.C. 1309, nor does the Customs Directive for vessel supplies (C.D. 099 3260-034) provide a regulatory framework for ITM merchandise, although many of its procedures are similar to those adopted for ITM operations.

C.D. 3280-08 established Customs Approved Storeroom (CASR) activities which provide for the storage of ITM prior to its movement to the aircraft. Merchandise is received at the CASR from bonded warehouses within the continental United States, under bond and designated for immediate export. While stored in the CASR, manipulated and placed in carts and then transported to the aircraft, merchandise is covered by the exporting air carrier's bond. Merchandise may be stored in the CASR for periods of up to 90 days, which may be extended in increments of 90 days, upon written application, not to exceed one year from the date of importation.

In early 1997, the ITM industry approached Customs seeking a change in procedures for ITM merchandise. They made numerous comments, including: (1) because of restrictions created by use of the carrier's bond, procedures for storage within the CASR created operational inefficiencies preventing the "turning of inventories" as frequently as necessary; (2) there had been inconsistent application of procedures at Customs ports where, in some instances, merchandise could not be returned from airline carts (if unsold after a period of time); required documents varied depending on location, and different procedures were required for accounting for merchandise discrepancies in order to correct the manifest as required by law; and more generally, (3) that many of Customs' requirements impeded the kinds of business practices necessary to make the industry more profitable, and that Customs could enhance regulation of ITM through more automated, less labor-intensive operational procedures. Pursuant to a trade conference on March 18-20, 1997, Customs provided short term-term remedies to several problems by revising Customs' procedures on October 28, 1997. The five issues addressed were:

(1) removal of merchandise from carts; (2) summarized manifest discrepancy reporting; (3) allowing transfer of merchandise among CASRs; (4) simplifying the designation of CF 7512s; and, (5) clarification of the merchandise storage period.

Customs intends to consider further changes on a long-term basis. It may be appropriate at this point to explore the elimination of CASR facilities and the inclusion of ITM in a Customs bonded warehouse. The ITM industry wishes, for example, to cover merchandise storage and movement under its own bond, streamlining and simplifying its inventory and accounting processes. Customs would likely benefit from a more simplified and less paper intensive regulatory scheme. Another feature of requiring ITM operations in a bonded warehouse would be the expansion of blanket permits to manipulate and withdraw ITM merchandise, which would further reduce the volume of Customs transactions and paperwork, and permit a more automated, efficient regulatory approach.

The Customs Service, therefore, invites the public to provide its comments on the feasibility of storing and controlling ITM merchandise in a Customs bonded warehouse, and asks for its ideas in designing mutually beneficial procedures.